

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION**

Call to Order: By **CHAIRMAN MACK COLE**, on January 21, 1999 at
10:00 A.M., in Room 331 Capitol.

ROLL CALL

Members Present:

Sen. Mack Cole, Chairman (R)
Sen. Don Hargrove, Vice Chairman (R)
Sen. Jon Tester (D)
Sen. Jack Wells (R)
Sen. Bill Wilson (D)

Members Excused: None.

Members Absent: None.

Staff Present: Keri Burkhardt, Committee Secretary
David Niss, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: None.
Executive Action: SB 195

{Tape : 1; Side : A; Approx. Time: 10.00}

Information On SB 195:

**Mike O'Connor, Executive Director, Public Employee Retirement
Systems**

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 10.01}

SEN. DON HARGROVE explained that he is in support of SB 195 but
had some questions concerning the Fiscal Note. He asked **Mike**

O'Connor to further explain the Fiscal Note. He also requested information on how they arrived at the figures and who of the 1,400 allowed would most likely use the system. **Mr. O'Connor** responded by first explaining how his actuary arrived at the figures. He explained that research over the Internet concluded that 1,440 eligible veterans, all residing in Montana, are public employees. These 1,440 people, on average, would be able to purchase 2.4 years of service resulting in a \$16 million increase in benefits. **SEN. HARGROVE** asked if a computer search would reveal who the veterans were and what their years of service were. **Mr. O'Connor** replied that he didn't know who the veterans were. **SEN. HARGROVE** stated that he should be able to retrieve that information through the public employees' records and further asked if the forecast, including the teachers in the Teachers Employee Retirement System, was accurate. **Mr. O'Connor** explained that the forecast was a little lower than the actual cost.

SEN. JACK WELLS asked **Mr. O'Connor** what the 2.9% annual cost is in a dollar figure. **Mr. O'Connor** explained that the 2.9% salary increase will pay the \$16 million off over a period of twelve years and equates to about \$2 million a year.

{Tape : 1; Side : A; Approx. Time: 10.08}

SEN. BILL WILSON asked **SEN. LYNCH** to expound on that. **SEN. LYNCH** then explained that the amortization over twelve years is very low and, that the average is thirty years. He added that the 2.9% is low when compared with the big picture.

SEN. HARGROVE asked **Mr. O'Connor** if authorizing 2 years instead of 4 years would cut everything in half or if it would be a geometric progression of some sort. **Mr. O'Connor** said that it would be a geometric progression and the cost would be cut more than half.

CHAIRMAN MAC COLE asked why it would be more than half the cost. **Mr. O'Connor** explained that the benefit would be paid off 1 year earlier versus 2 years earlier because members are allowed to purchase 1 year of service instead of 2 years. The benefit is then paid out 1 year earlier versus 2 years, and this allows for the investment of money for an additional year.

SEN. HARGROVE asked if the unfunded liability would be extended or paid off. **Mr. O'Connor** said that it would be extended. **SEN. HARGROVE** asked what the impact of extending the unfunded liability would be. **Mr. O'Connor** replied that current members would have to absorb the cost.

{Tape : 1; Side : A; Approx. Time: 10.13}

SEN. TESTER then asked would happen 12 years down the line. **Mr. O'Connor** informed him that there would be a reduction in contributions or an increase in benefits.

SEN. WELLS asked how many members were in the Public Employee Retirement System. **Mr. O'Connor** replied that there are 28,000 active members and 12,000 retirees. **SEN. WELLS** asked if the active members would pay more in the long run and **Mr. O'Connor** confirmed. **SEN. WELLS** then asked for some clarification on which members are not participating in the system. **Mr. O'Connor** explained that there are 7 retirement systems and that the Public Employee Retirement System is just one of them. He went on to say that other groups, such as the police and firemen, will want the same benefit.

SEN. HARGROVE asked about the history of unfunded liability and the factors that have affected it. **Mr. O'Connor** informed him that the assumption was the amortization of the unfunded liability would go down a year per year. The factors considered in the assumption are the salary, mortality, retirement, and investment return. These factors have influenced the actual amortization to go down more than a year per year.

{Tape : 1; Side : A; Approx. Time: 10.18}

EXECUTIVE ACTION ON SB 195

Motion: **SEN. TESTER** offered a substitute amendment on his previous motion to amend SB 195, made January 19, 1999. He moved to change, "line 30 of page 1, to read, one year instead of four."

Discussion:

SEN. WELLS said that he wasn't sure that it was worth the savings to reduce the benefit down to a such a small reward.

SEN. WILSON resisted the amendment and said he didn't believe the cost should be a big issue and the benefit was well deserved.

SEN. HARGROVE felt that the bill should be passed to the Senate floor where the sponsor would have the opportunity to amend if he wanted to.

{Tape : 1; Side : A; Approx. Time: 10.25}

Vote: Roll call vote was taken. Motion failed 1-4 with SEN. TESTER voting aye.

Discussion:

SEN. COLE reminded the committee that the original amendment was to change the benefit to 2 years instead of 4.

SEN. TESTER explained that he made the motion to amend because he felt the veterans are entitled to the benefit but he has some reservations about letting the funding come from other members.

Vote: Motion failed 2-3 with SEN. TESTER and SEN. WELLS voting aye.

Vote: Motion made on January 19, 1999, to DO PASS ON SB 195. Roll call vote taken. Motion carried unanimously 5-0.

{Tape : 1; Side : A; Approx. Time: 10.28}

Information on SB 228:

Greg Petesch, Legislative Services Division, reported he was part of the staff for the select committee for CI-75. He explained that SB 228 implements the tax provision requirements for CI-75. SB 228 will change election laws to provide for special tax elections. He clarified sections in the bill for the committee. First, he elaborated on the election administrator being the chief election officer for tax elections conducted within the county, page 13. Then, he went on to talk about times for holding tax elections. **Mr. Petesch** talked about the dates set for general elections, page 48, and why they may cause debate during the hearing. Next, he pointed out changes made in regards to the election administrator, page 49. He followed by covering election costs, where he said each jurisdiction bears its own cost for the election. He pointed out changes that make it as easy for the voter and as cost effective for the taxpayer as possible. He informed the committee that each taxing jurisdiction, including the state, has to bear its portion of the cost, but the breakdown of costs are left to the election administrator. He talked about why this bill does not have an unfunded mandate. He directed the committee to page 52, where he covered changes in mail ballot elections. The largest change being the return of the mail ballots to the polling place. Again, he began to cover some of the statewide issues. He touched on the time line for ballot forms sent to the Attorney General and the Secretary of State, page 53. Also, he said that each tax measure must be a single issue. Finally, **Mr. Petesch** talked about why SB 228 did not have a contingent provision with

CI-75. He pointed out that people want the right to vote on taxes even if CI-75 is not passed but he does have a back-up plan for a similar bill to be proposed if this bill should have problems passing because it does not have a contingent provision.

ADJOURNMENT

Adjournment: 11:19 A.M.

SEN. MACK COLE, Chairman

KERI BURKHARDT, Secretary

MC/KB

EXHIBIT (sts16aad)